

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Hamlin Township	County Eaton
Fiscal Year End 3/31/07	Opinion Date 6/12/07	Date Audit Report Submitted to State 6/25/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
- ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
- ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
- ☐ ☒ The local unit has adopted a budget for all required funds.
- ☒ ☐ A public hearing on the budget was held in accordance with State statute.
- ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
- ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
- ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
- ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
- ☒ ☐ The local unit is free of repeated comments from previous years.
- ☒ ☐ The audit opinion is UNQUALIFIED.
- ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
- ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
- ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>	Not applicable		
Certified Public Accountant (Firm Name) Robertson & Carpenter CPAs, PC		Telephone Number 989-826-5442		
Street Address P.O. Box 308		City Mio	State MI	Zip 48647
Authorizing CPA Signature		Printed Name Robert J. Carpenter		License Number 1101008247

**Hamlin Township
Eaton County, Michigan
Financial Report
With Supplemental Information
March 31, 2007**

Hamlin Township

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INDEPENDENT AUDITOR'S REPORT

Township Board
Hamlin Township
Eaton County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hamlin Township as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Hamlin Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Hamlin Township as of March 31, 2007, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on page 2 through page 7 and pages 21-22 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hamlin Township's basic financial statements. The accompanying pages of other supplemental information, as listed in the table of contents, are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Robertson & Carpenter P.C.
Certified Public Accountants
June 12, 2007

Management's Discussion and Analysis

As management of Hamlin Township (the "Township"), we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2007.

Financial Highlights

- The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$1,023,703 (*net assets*). Of this amount, \$266,122 (*unrestricted net assets*) may be used to meet the Township's ongoing obligations
- The Township's total net assets increased by \$165,900.
- As of the close of the current fiscal year, the Township's general fund, reported an ending fund balance of \$249,190, a decrease of \$360,037 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$239,156 or 27% percent of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements consist of three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

Government-wide financial statements. The *Government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the Government-wide financial statements present functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Township include general government, public safety, public works, health and welfare, and culture and recreation. The Township does not have any business-type activities as of and for the year ended March 31, 2007.

The Government-wide financial statements can be found on pages 8-9 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the Government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the Government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains three governmental funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Fire, and Cemetery Funds.

The Township adopts an annual appropriated budget for its governmental funds. Budgetary comparison statements or schedules have been provided for the governmental funds herein to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 10-11 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are *not* reflected in the Government-wide financial statements because the resources of those funds are *not* available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 12 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13-20 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Township, assets exceeded its liabilities by \$1,023,703 at the close of the most recent fiscal year.

A portion of the Township's net assets (73%) reflects its investment in capital assets (e.g., land, land improvements, buildings, and equipment); less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to the community; consequently, these assets are *not* available for future spending.

Township's Net Assets

	Governmental	Activities
	March 31, 2007	March 31, 2006
Current and Other Assets	283,566	641,583
Capital Assets, Net	1,031,965	602,748
Total Assets	1,315,531	1,244,331
Current Liabilities	107,654	102,414
Long Term Liabilities	184,174	284,314
Total Liabilities	291,828	386,728
Net Assets:		
Invested in Capital Assets, Net of Related Debt	747,547	640,079
Restricted for Metro Act	10,034	8,310
Unrestricted	266,122	209,214
Total Net Assets	1,023,703	857,603

The Township's net assets increased by \$165,900 during the current fiscal year. Unrestricted net assets—the part of net assets that can be used to finance day to day operations, increased by \$56,908 or 27%, during fiscal year 2007.

Township's Changes in Net Assets

	<u>Governmental</u>	<u>Activities</u>
	<u>March 31, 2007</u>	<u>March 31, 2006</u>
Revenue:		
Program Revenue:		
Charges for services	60,008	56,132
Operating Grants and Contributions	55,967	-0-
General Revenue:		
Property Taxes	168,655	158,338
State-Shared Revenues	206,543	206,556
Interest and Rent Earnings	6,271	906
Other	46,190	8,635
Total Revenue	543,634	430,567
Expenses:		
General Government	153,148	155,279
Public Safety	171,381	145,673
Public Works	30,498	12,494
Health and Welfare	2,837	-0-
Culture and Recreation	1,950	3,316
Interest on Long Term Debt	17,920	19,068
Total Expenses	377,734	335,830
Increase in Net Assets	165,900	94,737
Net Assets, Beginning of Year	857,803	763,066
Net Assets, End of Year	1,023,703	857,803

Governmental activities. The Township's total governmental revenues increased by \$120,359 from last fiscal year. This was primarily attributed to additional revenue from property taxes. Expenses increased by \$503,524. The increase was primarily due to increased Capital Outlay expenses.

Financial Analysis of the Government's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$276,156, a decrease of \$358,922 in comparison with the prior year. The *undesignated fund balance*, which is available for spending at the Township's discretion, constitutes 78% of this total amount or \$216,658.

The primary governmental fund is the General Fund of the Township. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 27% and total fund balance represents 28% of total general fund expenditures.

The fund balance of the General Fund decreased by \$360,037 during the current fiscal year.

The Fire Fund was established during the year ended March 31, 2005. A .9758 mill property tax was levied for the year ending March 31, 2007. The property tax generated \$88,976 and \$83,160 of revenue for the years ended 2007 and 2006 respectively. The Fire Fund transferred \$87,845 to the General Fund for debt service expense for the 2007 year.

Governmental Funds Budgetary Highlights

The Township's budgets are prepared in accordance with Michigan Law. The budgeted funds are the General, Fire and Cemetery Funds. Each of the budgeted funds was amended during the year.

Capital Asset and Debt Administration

Capital assets. The Township's investment in capital assets for its governmental activities as of March 31, 2007, amounted to \$1,031,965 (net of accumulated depreciation). Investment in capital assets includes land, land improvements, buildings, and equipment. Additions totaled \$465,130 for the fiscal year.

Township's Capital Assets (net of depreciation)

	<u>March 31, 2007</u>	<u>March 31, 2006</u>
Land	144,361	144,361
Land Improvements	30,377	32,689
Buildings	275,731	282,939
Equipment – Fire Department	570,409	129,687
Furniture and Equipment	11,087	13,072
Total	<u>1,031,965</u>	<u>602,748</u>

Additional information on the Township's capital assets can be found in note 5 on page 18 of this report.

Long Term Debt. The Township has two items of long term debt, an installment loan payable and a capitalized lease payable. The balances outstanding at March 31, 2007 are \$120,161 and \$164,257 respectively. Additional information on the long term debt can be found in Note 8 on page 20 of this report.

Factors Bearing on the Township's Future

The following factors were considered in preparing the Township's budget for the 2007-2008 fiscal year:

- The State of Michigan has continued to make significant cuts in their operating budgets due to a downturn in the economy. The Township did receive less in State Shared Revenues this year than the prior fiscal year, that is even worse than projected as we budgeted for a slight increase. For 2006-2007, the Township received \$202,415 in state shared revenue, representing 45% of the revenues in the General Fund. The Township only expects to receive a slight increase in State Shared Revenue to be flat in the future. Our budgets were prepared with these factors in mind and will need to be revised as needed.

Requests for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Hamlin Township
6463 South Clinton Trail
Eaton Rapids, Michigan 48827

Basic Financial Statements

Hamlin Township
Statement of Net Assets
March 31, 2007

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents (Note 3)	\$ 226,120
Receivables: (Note 4)	
Other	269
Intergovernmental	49,932
Due from Fiduciary Fund	7,245
Capital assets-net (Note 5)	<u>1,031,965</u>
 Total assets	 <u>1,315,531</u>
 Liabilities	
Current Liabilities:	
Accounts payable	7,141
Deferred revenue	269
Installment loan payable (due within one year) (Note 8)	19,964
Capitalized lease payable (due within one year) (Note 8)	<u>80,280</u>
Total current liabilities	<u>107,654</u>
 Noncurrent Liabilities:	
Installment loan payable (Note 8)	100,197
Capitalized lease payable (Note 8)	<u>83,977</u>
Total noncurrent liabilities	<u>184,174</u>
 Total liabilities	 <u>291,828</u>
 Net Assets	
Invested in capital assets, net of related debt	747,547
Restricted for Metro Act	10,034
Unrestricted	<u>266,122</u>
 Total net assets	 \$ <u><u>1,023,703</u></u>

See accompanying notes to financial statements.

Hamlin Township
Statement of Activities
Year Ended March 31, 2007

Functions/Programs	Expenses	Program Revenues		Governmental
		Charges for Services	Operating Grants	Activities Net (Expense) Revenue and Changes in Net Assets
Governmental Activities				
General government	\$ 153,148	\$ 52,683	\$ -	\$ (100,465)
Public safety	171,381	7,325	55,967	(108,089)
Public works	30,498	-	-	(30,498)
Health and welfare	2,837	-	-	(2,837)
Culture and recreation	1,950	-	-	(1,950)
Interest on long term debt	17,920	-	-	(17,920)
Total governmental activities	<u>\$ 377,734</u>	<u>\$ 60,008</u>	<u>\$ 55,967</u>	<u>(261,759)</u>
General Revenues:				
Property taxes - operating				79,767
Property taxes - fire				88,888
State-shared revenues				206,543
Interest and investment earnings				6,271
Other				<u>46,190</u>
Total general revenues				<u>427,659</u>
Change in Net Assets				<u>165,900</u>
Net assets - beginning of year				<u>857,803</u>
Net assets - end of year				<u>\$ 1,023,703</u>
Amounts reported for governmental activities are different because:				
Net Change in Fund Balances - Total Governmental Funds				\$ (358,922)
Government funds report capital outlays as expenditures; in the statement of activities these costs are allocated over their estimated useful lives as depreciation.				
Depreciation expense		\$ (28,621)		
Capital outlay		<u>465,130</u>		436,509
In the governmental funds the entire proceeds of asset sales increase financial resources, in the statement of activities, only the gain on the assets sales is reported				
				(7,292)
Repayments of installment loan payable principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long term debt)				
				<u>95,605</u>
Change in Net Assets of Governmental Activities				<u>\$ 165,900</u>

See accompanying notes to financial statements.

Hamlin Township
Governmental Funds
Balance Sheet
March 31, 2007

	General Fund	Fire Fund	Nonmajor Cemetery Fund	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 206,137	\$ 2,148	\$ 17,835	\$ 226,120
Accounts receivable	163	106	-	269
Due from other funds	7,332	-	-	7,332
Due from other governmental units	42,862	7,070	-	49,932
Total assets	<u>\$ 256,494</u>	<u>\$ 9,324</u>	<u>\$ 17,835</u>	<u>\$ 283,653</u>
Liabilities				
Accounts payable	\$ 7,141	\$ -	\$ -	\$ 7,141
Due to other funds	-	87	-	87
Due to other governments	-	-	-	-
Deferred revenue	163	106	-	269
Total liabilities	<u>7,304</u>	<u>193</u>	<u>-</u>	<u>7,497</u>
Fund balances				
Reserved:				
Metro Act	10,034	-	-	10,034
Unreserved:				
Designated:				
Fire equipment	49,464	-	-	49,464
Undesignated:				
General Fund	189,692	-	-	189,692
Special Revenue Funds	-	9,131	17,835	26,966
Total fund balances	<u>249,190</u>	<u>9,131</u>	<u>17,835</u>	<u>276,156</u>
 Total liabilities and fund balances	 <u>\$ 256,494</u>	 <u>\$ 9,324</u>	 <u>\$ 17,835</u>	 <u>\$ 283,653</u>

Amounts reported for governmental activities in the statement of net assets are different because:

Fund Balances - Total Governmental Funds	\$ 276,156
Elimination of due to and due from governmental funds	
Due to	87
Due from	(87)
Capital assets used in governmental activities are not financial financial resources, and are not reported in the funds.	
The cost of capital assets is	1,192,075
Accumulated depreciation is	(160,110)
Long term liabilities are not due and payable in the current period and are not reported in the fund statements	
Installment loan payable	(120,161)
Capitalized lease payable	(164,257)
 Net Assets of Governmental Activities	 <u><u>\$ 1,023,703</u></u>

See accompanying notes to financial statements.

Hamlin Township
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended March 31, 2007

	General Fund	Fire Fund	Nonmajor Cemetery Fund	Total Governmental Funds
Revenues				
Taxes and penalties	\$ 105,704	\$ 88,888	\$ -	\$ 194,592
Licenses and permits	119	-	-	119
Federal grants	55,967	-	-	55,967
State grants	206,543	-	-	206,543
Charges for services	26,627	-	7,325	33,952
Interest and rentals	5,856	32	383	6,271
Other revenue	53,482	-	-	53,482
Total revenues	<u>454,298</u>	<u>88,920</u>	<u>7,708</u>	<u>550,926</u>
Expenditures				
Current:				
General government	123,975	-	17,668	141,643
Public safety	154,265	-	-	154,265
Public works	30,498	-	-	30,498
Health and welfare	2,837	-	-	2,837
Recreation and culture	1,950	-	-	1,950
Capital outlay	465,130	-	-	465,130
Debt service	113,525	-	-	113,525
Total expenditures	<u>892,180</u>	<u>-</u>	<u>17,668</u>	<u>909,848</u>
Excess of Revenues Over (Under) Expenditures	(437,882)	88,920	(9,960)	(358,922)
Other Financing Sources (Uses)				
Operating transfers in	87,845	-	10,000	97,845
Operating transfers (out)	(10,000)	(87,845)	-	(97,845)
Total other financing sources (uses)	<u>77,845</u>	<u>(87,845)</u>	<u>10,000</u>	<u>-</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(360,037)	1,075	40	(358,922)
Fund balance - April 1, 2006	<u>609,227</u>	<u>8,056</u>	<u>17,795</u>	<u>635,078</u>
Fund balance - March 31, 2007	<u>\$ 249,190</u>	<u>\$ 9,131</u>	<u>\$ 17,835</u>	<u>\$ 276,156</u>

See accompanying notes to financial statements.

Hamlin Township
Fiduciary Funds
Statement of Net Assets
March 31, 2007

	Agency Fund Type (Property Tax Collection Fund)
Assets	
Cash	\$ 7,245
Due from other funds	<u>-</u>
Total assets	<u><u>\$ 7,245</u></u>
Liabilities	
Due to other funds	\$ 7,245
Due to other governments	<u>-</u>
Total liabilities	<u>7,245</u>
Net Assets	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

Hamlin Township
Notes to Financial Statements
March 31, 2007

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Hamlin Township ("the Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the more significant policies used by the Township:

Reporting Entity

The Township is governed by an elected five member Township Board. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Township's reporting entity, and which organizations are legally separate, component units of the Township. Based on the application criteria, the Township does not contain any component units.

Government-wide and Fund Financial Statements

The Government-side financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities. The Township does not have any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a certain function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Note 1 - Summary of Significant Accounting Policies (Continued)

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

Property taxes, state-shared revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when the cash is received by the Township.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund.

The Fire Fund is used to record property tax revenue, interest earnings and other revenue restricted for providing fire protection services.

Additionally, the Township reports the following funds:

The Cemetery Fund accounts for amounts received for lot sales, charges for services, and interest earnings that are restricted for use in the Township Cemetery.

The Tax Collection Fund accounts for property taxes collected and disbursed to other taxing authorities by the Township as required by law.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers for goods, services or privileges provided and (2) operating grants and contributions. General revenue includes all taxes.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Hamlin Township
Notes to Financial Statements
March 31, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between fund that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The taxpayers of the Township have their properties assessed as of December 31 and the related property taxes are levied and become a lien on December 1 for 100% of the taxes which are due February 28. The 2006 taxable value of the Township was \$91,182,539. The 2006 tax levy was .8688 mills for general operating purposes raising \$79,219 for general operating purposes and .9758 mills for fire protection raising 88,976 for fire protection purposes.

Capital Assets - Capital assets, which include land, buildings, equipment, and infrastructure assets (e.g., amounts paid to the Road Commission for the intangible right to use the roads), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation. Infrastructure assets acquired prior to implementation of GASB 34 are not included in the financial statements.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Infrastructure	20 years
Land Improvements	20 years
Buildings and additions	20-50 years
Office equipment and furnishings	5-20 years
Other equipment	5-30 years

Compensated Absences - There is no liability for compensated absences reported in the government-wide financial statements since no township employees are provided with sick or vacation pay benefits.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriating or are legally restricted by outside parties for use for a specific purpose. The Township has a reserved fund balance at March 31, 2007 in the amount of \$10,034 that represents unspent money received under the Metro Act. Designations of fund balance represent tentative management plans that are subject to change. The Township has designated fund balance in the operating fund of \$49,464 at March 31, 2007. This amount is designated to be used for future purchases of fire protection equipment.

Hamlin Township
Notes to Financial Statements
March 31, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

Comparative Data/Reclassifications - Comparative data is not included in the Township's financial statements.

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted account principles and state laws for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Township adopt its budgets by April 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits Townships to amend its budget during the year.

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until the receipt of materials or services. For budgetary purposes, appropriations lapse at fiscal year end and outstanding encumbrances are reappropriated in the next year.

Note 2 - Stewardship, Compliance and Accountability

Excess of expenditures over appropriations in budgeted funds:

The Township incurred expenditures in excess of amounts budgeted as follows:

<u>Fund and Function</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
General:			
Capital outlay	\$ 48,577	\$ 465,130	\$ 416,553
Fire:			
Transfers to other funds	-	87,845	87,845
			-

The Township did not adopt a budget for the Fire Fund for the year ended March 31, 2007 which is a violation of the Uniform Budgeting Act. The Township has adopted a budget for the Fire Fund covering the year ended March 31, 2008.

Hamlin Township
Notes to Financial Statements
March 31, 2007

Note 3 - Deposits and Investments

Michigan Compiled Laws, Section 129.91 authorizes the Township to make deposits and investments in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Township is also allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township Board has designated one bank for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investments in accordance with State statutory authority as listed above.

Hamlin Township's deposits and investment policy are in accordance with statutory authority.

Hamlin Township has not updated its investment policy to conform to GASB #40.

At year-end, Hamlin Township's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Township Total
Cash and cash equivalents	\$ 226,120	\$ 7,245	\$ 233,365
Investments	-	-	-
Total	\$ <u>226,120</u>	\$ <u>7,245</u>	\$ <u>233,365</u>

The breakdown between deposits and investments for the Township is as follows:

Deposits (checking, savings and CDs)	\$ 233,365
Investments	-
	\$ <u>233,365</u>

The deposits of the Township were reflected in the accounts of one financial institution, of which \$109,335 is covered by federal depository insurance.

Hamlin Township
Notes to Financial Statements
March 31, 2007

Note 4 - Receivables

Receivables as of year-end for the Township's major funds and fiduciary funds in the aggregate, including applicable allowances of uncollectible accounts, are as follows:

Receivables:	General Fund	Fire Fund	Tax Coll. Fund	Total
Other	\$ 163	\$ 106	\$ -	\$ 269
Intergovernmental	42,862	7,070	-	49,932
	<u>\$ 43,025</u>	<u>\$ 7,176</u>	<u>\$ -</u>	<u>\$ 50,201</u>

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the Township had deferred revenue at March 31, 2007 as follows: General Fund \$163 composed entirely of property taxes; Fire Fund \$106 for property taxes.

Note 5 - Capital Assets

Capital assets activity of the Township's Governmental activities were as follows:

	Balance April 1, 2006	Additions	Deletions	Balance March 31, 2007
Capital assets not being depreciated:				
Land	\$ 144,361	\$ -	\$ -	\$ 144,361
Capital assets being depreciated:				
Land improvements	46,239	-	-	46,239
Buildings	341,762	-	-	341,762
Equipment - Fire Department	278,070	465,130	111,028	632,172
Furniture & equipment	27,541	-	-	27,541
Subtotal	<u>693,612</u>	<u>465,130</u>	<u>111,028</u>	<u>1,047,714</u>
Accumulated Depreciation				
Land improvements	13,550	2,312	-	15,862
Buildings	58,823	7,208	-	66,031
Equipment - Fire Department	148,383	17,116	103,736	61,763
Furniture & equipment	14,469	1,985	-	16,454
Subtotal	<u>235,225</u>	<u>28,621</u>	<u>103,736</u>	<u>160,110</u>
Net capital assets being depreciated	<u>458,387</u>	<u>436,509</u>	<u>7,292</u>	<u>887,604</u>
Governmental Activities				
Total Capital Assets net of Depreciation	<u>\$ 602,748</u>	<u>\$ 436,509</u>	<u>\$ 7,292</u>	<u>\$ 1,031,965</u>

Hamlin Township
Notes to Financial Statements
March 31, 2007

Note 5 - Capital Assets (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 11,505
Public safety	17,116
Total governmental activities	<u>\$ 28,621</u>

Note 6 - Receivables, Payables and Transfers

The composition of interfund balances is as follows:

<u>Receivable Fund</u>		<u>Payable Fund</u>		Amount
General Fund	\$ 7,332	Fiduciary Fund		\$ 7,245
Total	<u>\$ 7,332</u>	Total		<u>\$ 7,245</u>
<u>Transfers In</u>		<u>Transfers Out</u>		
Cemetery Fund	\$ 10,000	General Fund		\$ 10,000
General Fund	87,845	Fire Fund		87,845
	<u>\$ 97,845</u>			<u>\$ 97,845</u>

Note 7 - Risk Management

Hamlin Township is exposed to various risks of loss related to theft of , damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by insurance purchased from independent insurance companies. Settled claims from these risks have not exceeded insurance coverage for the last three years.

Note 8 - Pension Plan

The Township has a defined contribution retirement plan (Simple IRA) that covers any employee that earns \$400 or more in a calendar year. Employees may voluntarily contribute up to \$8,000 of their annual wage. The Township will match the employees contribution up to 3% of the employee's compensation. The plan is administered by Capital Bank and Trust Co.. All contributions to the plan are 100% vested.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participant's benefits that may be allocated to such participant's account.

The Township's total payroll for the year ended March 31, 2007 was approximately \$116,469. The Township made the required contribution of \$1,911.

No pension provision changes occurred during the year that affected the required contributions to be made by the Township . The plan held no securities of the Township or other related parties during the year or at the close of the fiscal year.

Hamlin Township
Notes to Financial Statements
March 31, 2007

Note 8 - Long Term Debt

The general obligation long term debt consists of the following items:

<u>Description</u>	<u>Purpose</u>	<u>Original Amount and Payment Terms</u>	<u>Interest Rate</u>	<u>Balance Due March 31, 2007</u>
Installment loan - Independent Bank	Building addition	Original amount - \$192,808, monthly payments of \$2,140 commencing 2/15/03	5.15%	\$ 120,161
Capitalized lease - Sun Trust Bank	2 Fire trucks	Original amount - \$317,554, annual payments of \$87,845 commencing 3/15/06	4.61%	164,257
				<u>\$ 284,418</u>

Changes in long term debt during the year ended March 31, 2006 are as follows:

	<u>Installment Loan Payable</u>	<u>Capitalized Lease Payable</u>
Balance April 1, 2006	\$ 139,021	\$ 241,002
New borrowing	-	-
Principal paid	(18,860)	(76,745)
Balance March 31, 2007	<u>\$ 120,161</u>	<u>\$ 164,257</u>

Total debt payments due in future years are shown below:

<u>Year Ending</u>	<u>Installment Loan</u>		<u>Capitalized Lease</u>		<u>Total</u>
	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	
March 31, 2008	\$ 5,716	\$ 19,964	\$ 7,565	\$ 80,280	\$ 113,525
March 31, 2009	4,663	21,017	3,867	83,977	113,524
March 31, 2010	3,555	22,125	-	-	25,680
March 31, 2011	2,388	23,292	-	-	25,680
March 31, 2012	1,160	24,520	-	-	25,680
March 31, 2013	106	9,243	-	-	9,349
Total	<u>\$ 17,588</u>	<u>\$ 120,161</u>	<u>\$ 11,432</u>	<u>\$ 164,257</u>	<u>\$ 313,438</u>

Required Supplemental Information

Hamlin Township
 Budgetary Comparison Schedule - General Fund
 Year Ended March 31, 2007

	Budgeted Amounts		Actual	Variance with
	2006	2006	Amounts	Final Budget
	Original	Final	Budgetary	Over (Under)
			Basis	
Fund Balance - Beginning of year	\$ 73,159	\$ 609,227	\$ 609,227	\$ -
Resources (Inflows)				
Taxes and fees	100,110	100,110	105,704	5,594
Licenses and permits	1,000	1,000	119	(881)
Federal grants	-	-	55,967	55,967
State grants	204,000	204,000	206,543	2,543
Charges for services	12,900	23,900	26,627	2,727
Interest and rentals	300	300	5,856	5,556
Other	-	167	53,482	53,315
Transfers from other funds	-	-	87,845	87,845
Amounts available for appropriation	<u>391,469</u>	<u>938,704</u>	<u>1,151,370</u>	<u>124,821</u>
Charges to Appropriations (Outflows)				
General government	158,225	158,225	123,975	(34,250)
Public safety	129,700	156,860	154,265	(2,595)
Public works	15,000	30,498	30,498	-
Health and welfare	3,200	3,200	2,837	(363)
Recreation and culture	5,700	2,787	1,950	(837)
Capital outlay	-	48,577	465,130	416,553
Debt service	25,700	113,544	113,525	(19)
Transfers to other funds	15,500	15,500	10,000	(5,500)
Total charges to appropriations	<u>353,025</u>	<u>529,191</u>	<u>902,180</u>	<u>372,989</u>
Fund Balance - end of year	\$ <u>38,444</u>	\$ <u>409,513</u>	\$ <u>249,190</u>	\$ <u>(248,168)</u>

Hamlin Township
 Budgetary Comparison Schedule - Fire Fund
 Year Ended March 31, 2007

	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>2006</u>	<u>2006</u>	Amounts	Final Budget
	<u>Original</u>	<u>Final</u>	<u>Budgetary</u>	<u>Over (Under)</u>
Fund Balance - Beginning of year	\$ -	\$ -	\$ 8,056	\$ 8,056
Resources (Inflows)				
Taxes and fees	-	-	88,888	88,888
Federal grants	-	-	-	-
State grants	-	-	-	-
Charges for services	-	-	-	-
Interest and rentals	-	-	32	32
Other	-	-	-	-
Amounts available for appropriation	<u>-</u>	<u>-</u>	<u>96,976</u>	<u>96,976</u>
Charges to Appropriations (Outflows)				
Public safety	-	-	-	-
Capital outlay	-	-	-	-
Transfers to other funds	-	-	87,845	87,845
Total charges to appropriations	<u>-</u>	<u>-</u>	<u>87,845</u>	<u>87,845</u>
Fund Balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,131</u>	<u>\$ 17,187</u>

Supplemental Information

Hamlin Township
General Fund
Statement of Revenues and Othr Financing Sources - Budget and Actual
Year Ended March 31, 2007

	Budget as Amended	Actual	Variance Favorable (Unfavorable)
REVENUE:			
TAXES:			
Property taxes	\$	\$ 79,767	\$
Property tax administration		25,937	
TOTAL TAXES	<u>100,110</u>	<u>105,704</u>	<u>5,594</u>
LICENSES AND PERMITS:			
Franchise fees	<u>1,000</u>	<u>119</u>	<u>(881)</u>
FEDERAL GRANTS:			
FEMA	<u>-</u>	<u>55,967</u>	<u>55,967</u>
STATE GRANTS:			
State shared revenues		202,415	
Metro Act		4,128	
TOTAL STATE GRANTS	<u>204,000</u>	<u>206,543</u>	<u>2,543</u>
CHARGES FOR SERVICES:			
Fees		1,653	
Dog License fees		479	
Dust control		10,180	
Summer tax collection		4,565	
Fire runs		9,750	
TOTAL CHARGES FOR SERVICES	<u>23,900</u>	<u>26,627</u>	<u>2,727</u>
INTEREST AND RENTALS:			
Interest	<u>300</u>	<u>5,856</u>	<u>5,556</u>
OTHER REVENUE:			
Reimbursements		5,982	
Sale of assets		47,500	
TOTAL OTHER REVENUE	<u>167</u>	<u>53,482</u>	<u>53,315</u>
TOTAL REVENUES	<u>329,477</u>	<u>454,298</u>	<u>124,821</u>
OTHER FINANCING SOURCES:			
Transfers from other funds	<u>-</u>	<u>87,845</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>87,845</u>	<u>87,845</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 329,477</u>	<u>\$ 542,143</u>	<u>\$ 212,666</u>

Hamlin Township
General Fund
Statement of Expenditures and Other Financing Uses - Budget and Actual
Year Ended March 31, 2007

	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
EXPENDITURES			
GENERAL GOVERNMENT			
Legislative			
Trustee wages	\$	\$ 2,640	\$
Social security & medicare		4,653	
Pension contribution		1,911	
Office supplies		2,206	
Postage		853	
Audit		4,400	
Legal		2,288	
Professional services		2,150	
Printing & publishing		355	
Memberships & dues		1,844	
Seminars		2,510	
Refunds		-	
Total Legislative	<u>38,000</u>	<u>25,810</u>	<u>12,190</u>
Supervisor			
Salary		8,850	
Mileage		275	
Total Supervisor	<u>9,150</u>	<u>9,125</u>	<u>25</u>
Elections			
Wages		2,159	
Supplies		623	
Voter machine setup		9	
Mileage		103	
Printing & publishing		355	
Total Elections	<u>6,300</u>	<u>3,249</u>	<u>3,051</u>
Assessor			
Supplies		710	
Postage		1,677	
Computerizing tax roll		750	
Professional services		15,081	
Mileage		-	
Total Assessor	<u>23,475</u>	<u>18,218</u>	<u>5,257</u>

Hamlin Township
General Fund
Statement of Expenditures and Other Financing Uses - Budget and Actual
Year Ended March 31, 2007

	Budget as Amended	Actual	Variance Favorable (Unfavorable)
GENERAL GOVERNMENT (Continued)			
Clerk			
Salary	\$	\$ 19,500	\$
Deputy wages		2,370	
Supplies		1,113	
Professional services		-	
Mileage		186	
Total Clerk	<u>23,700</u>	<u>23,169</u>	<u>531</u>
Board of Review			
Wages		1,450	
Mileage		91	
Printing & publishing		-	
Seminars		474	
Total Board of Review	<u>2,050</u>	<u>2,015</u>	<u>35</u>
Treasurer			
Salary		20,500	
Deputy wages		2,158	
Supplies		479	
Professional services		-	
Mileage		159	
Total Treasurer	<u>25,100</u>	<u>23,296</u>	<u>1,804</u>
Townhall			
Maintenance manager wages		1,500	
Supplies		267	
Contract cleaning		265	
Contract lawn care		1,805	
Driveway expenses		1,347	
Insurance		7,646	
Electricity		1,678	
Heat		1,459	
Water conditioning		182	
Telephone		1,769	
Repair & maintenance		734	
Trash removal		441	
Total Townhall	<u>30,450</u>	<u>19,093</u>	<u>11,357</u>
TOTAL GENERAL GOVERNMENT	<u>158,225</u>	<u>123,975</u>	<u>34,250</u>

Hamlin Township
General Fund
Statement of Expenditures and Other Financing Uses - Budget and Actual
Year Ended March 31, 2007

	Budget as Amended	Actual	Variance Favorable (Unfavorable)
PUBLIC SAFETY			
Fire Protection			
Wages	\$	\$ 57,502	\$
Social security & medicare		4,257	
Office supplies		997	
Supplies		278	
Fuel		1,882	
Physicals		1,143	
Insurance		15,803	
Electricity		1,678	
Heat		1,459	
Telephone		1,297	
Repair & maintenance - building		3,498	
Fleet repair & maintenance		6,018	
Equipment repair & maintenance		3,997	
Required testing		2,662	
Memberships & dues		395	
Seminars		2,417	
Public education		1,550	
In-house training		881	
Small equipment items		46,551	
TOTAL PUBLIC SAFETY	156,860	154,265	2,595
HEALTH AND WELFARE			
Ambulance	3,200	2,837	363
PUBLIC WORKS			
Drains at Large		17,913	
Roads		12,585	
TOTAL PUBLIC WORKS	30,498	30,498	-
RECREATION AND CULTURE			
Parks	2,787	1,950	837
CAPITAL OUTLAY	48,577	465,130	(416,553)
DEBT SERVICE			
Principal		95,605	
Interest		17,920	
TOTAL DEBT SERVICE	113,544	113,525	19
TOTAL EXPENDITURES	513,691	892,180	(378,489)
OTHER FINANCING USES			
Transfers to other funds	15,500	10,000	5,500
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 529,191	\$ 902,180	\$ (372,989)

Hamlin Township
Cemetery Fund
Statement of Revenues and Other Financing Sources, Expenditures and
Changes in Fund Balance - Budget and Actual
Year Ended March 31, 2007

	Budget as Amended	Actual	Variance Favorable (Unfavorable)
REVENUES			
Charges for Services:			
Lot sales	\$ -	\$ 2,725	\$ -
Burials	-	4,600	-
Total Charges for Services	<u>4,000</u>	<u>7,325</u>	<u>3,325</u>
Interest	<u>300</u>	<u>383</u>	<u>83</u>
Total Revenues	<u>4,300</u>	<u>7,708</u>	<u>3,408</u>
EXPENDITURES			
General Government			
Dirt and gravel	-	170	-
Grave openings	-	5,000	-
Lawn care	-	9,215	-
Driveway care	-	350	-
Flags	-	250	-
Electricity	-	115	-
Repair and maintenance	-	2,568	-
Other	-	-	-
Capital Outlay	-	-	-
Total Expenditures	<u>19,300</u>	<u>17,668</u>	<u>1,632</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(15,000)</u>	<u>(9,960)</u>	<u>5,040</u>
OTHER FINANCING SOURCES			
Operating transfers in	<u>15,500</u>	<u>10,000</u>	<u>(5,500)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	500	40	(460)
FUND BALANCE - April 1	<u>2,971</u>	<u>17,795</u>	<u>14,824</u>
FUND BALANCE - March 31	\$ <u><u>3,471</u></u>	\$ <u><u>17,835</u></u>	\$ <u><u>14,364</u></u>

Hamlin Township
Statement of Changes in Assets and Liabilities
All Agency Funds
Year Ended March 31, 2007

Current Tax Collection Fund				
	Balance April 1, 2006	Additions	Deductions	Balance March 31, 2007
Assets				
Cash	\$ 4,273	\$ 2,525,220	\$ 2,522,248	\$ 7,245
	<u>4,273</u>	<u>2,525,220</u>	<u>2,522,248</u>	<u>7,245</u>
Liabilities				
Due to other funds	\$ 4,238	\$ 202,552	\$ 199,545	\$ 7,245
Due to county	35	1,246,607	1,246,642	-
Due to schools	-	1,071,812	1,071,812	-
Refunds	-	4,249	4,249	-
	<u>-</u>	<u>4,249</u>	<u>4,249</u>	<u>-</u>
Total liabilities	\$ 4,273	\$ 2,525,220	\$ 2,522,248	\$ 7,245
	<u>4,273</u>	<u>2,525,220</u>	<u>2,522,248</u>	<u>7,245</u>



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June 12, 2007

Township Board
Hamlin Township
Eaton County, Michigan

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hamlin Township as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Hamlin Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the a governmental unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

Lack of adequate controls to produce full-disclosure GAAP basis financial statements.

Requirement: All Michigan governmental units are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the Township's management. The preparation of financial statements

in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data, and (2) reporting government-wide and fund financial statements, including the related footnotes.

Condition: The Township, as is common with smaller and medium-sized entities, has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the Township's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered part of the government's internal controls.

Cause: This condition was caused by the Township's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the Township to perform this task internally.

Effect: The result of this condition is that the Township lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

View of responsible officials: The Township has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the Township to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

Lack of segregation of duties in recording activity in the general ledger.

Requirement: Proper internal control over the recording of activity in the general ledger necessitates that the office of the clerk perform the recording of activity in the general ledger.

Condition: The Township has been utilizing the Treasurer to enter the accounting activity into the general ledger software program.

Cause: The Treasurer was the former deputy clerk and when she filled the Treasurer's position, she continued to perform the recording of activity into the general ledger.

Effect: The proper internal control in relation to segregation of duties is not present.

View of responsible officials: The Township is aware of the situation and will attempt to have the clerk's office perform the posting of accounting activity into the general ledger software during the 2007-2008 fiscal year.

This communication is intended solely for the information and use of management, the Township Board, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

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